

CA2 ON
XD 107
1977
A2
c.2

ONTARIO


LEGISLATIVE ASSEMBLY

SELECT COMMITTEE ON INCO
AND FALCONBRIDGE LAYOFFS

INTERIM REPORT

FEBRUARY 1978





Digitized by the Internet Archive
in 2012 with funding from
University of Guelph, University of Windsor, York University and University of Toronto Libraries

CA20N
XD 107
1977
A2
C.2



Ontario

(Library Copy)

SELECT COMMITTEE
OF THE LEGISLATIVE ASSEMBLY

Room 110, Main Parliament Building, Queen's Park
Toronto, Ontario M7A 1A2
Telephone 965-1405

Room 440 M.B.
Parliament Buildings

February 8, 1978

Sessional Paper No. 6
Presented FEBRUARY 8TH, 1978.
for Tabling in the 2nd Session of
the 31st Parliament 1978

Amie Edwards
Asst. Clerk

CATALOGUED
FEB 21 1978

Mr. Roderick Lewis, Q.C.
Clerk of the House
Legislative Assembly of the
Province of Ontario
Room 104 M.B.
Queen's Park
Toronto, Ontario

Dear Sir:

As Chairman of the Select Committee of this
Honourable House, dealing with the Inco Limited
and Falconbridge Nickel Mines Limited lay-offs,
I submit herewith the attached interim report
of the said Committee.

Certain of the Committee members have seen fit
to add comments and observations, and same are
appended hereto.

Yours sincerely,

S. B. Handleman

Sidney B. Handleman, M.P.P.
Chairman





Sidney B. Handleman
Sidney B. Handleman, M.P.P., Chairman

Michael Bolan
Michael Bolan, Q.C., M.P.P.
NIPISSING

Robert Mackenzie
Robert Mackenzie, M.P.P.
HAMILTON-EAST

Sean Conway
Sean Conway, M.P.P.
RENFREW NORTH

Elie W. Martel
Elie W. Martel, M.P.P.
SUDBURY EAST

Robert Elgie
Robert Elgie, M.D., M.P.P.
YORK EAST

Bruce McCaffrey
Bruce McCaffrey, M.P.P.
ARMOURDALE

Ray Haggerty
Ray Haggerty, M.P.P.
ERIE

Hugh O'Neil
Hugh O'Neil, M.P.P.
QUINTE

Mickey Hennessey
Mickey Hennessey, M.P.P.
FORT WILLIAM

Alan Pope
Alan Pope, M.P.P.
COCHRANE SOUTH

R. Douglas Kennedy
*R. Douglas Kennedy, M.P.P.
MISSISSAUGA SOUTH

John Sweeney
John Sweeney, M.P.P.
KITCHENER-WILMOT

John Lane
John Lane, M.P.P.
ALGOMA-MANITOULIN

Gordon Walker
Gordon Walker, M.P.P.
LONDON SOUTH

Floyd Laughren
Floyd Laughren, M.P.P.
NICKEL BELT

Bud Wildman
Bud Wildman, M.P.P.
ALGOMA

NOTE: The Hon. Douglas Wiseman was a member of the Committee until his appointment to the Executive Council on January 21, 1978.

* Absent from Committee Meeting February 8, 1978.

MEMBERS OF THE SELECT COMMITTEE
ON THE INCO AND FALCONBRIDGE
LAYOFFS

SIDNEY B. HANDLEMAN, M.P.P., Chairman	Carleton
GORDON WALKER, M.P.P., Vice-Chairman	London South
MICHAEL BOLAN, Q.C., M.P.P.	Nipissing
SEAN CONWAY, M.P.P.	Renfrew North
ROBERT ELGIE, M.D., M.P.P.	York East
RAY HAGGERTY, M.P.P.	Erie
MICKEY HENNESSEY, M.P.P.	Fort William
R.DOUGLAS KENNEDY, M.P.P.	Mississauga South
JOHN LANE, M.P.P.	Algoma-Manitoulin
FLOYD LAUGHREN, M.P.P.	Nickel Belt
ROBERT MACKENZIE, M.P.P.	Hamilton-East
ELI W. MARTEL, M.P.P.	Sudbury East
BRUCE McCAFFREY, M.P.P.	Armourdale
HUGH O'NEIL, M.P.P.	Quinte
ALAN POPE, M.P.P.	Cochrane South
JOHN SWEENEY, M.P.P.	Kitchener-Wilmot
BUD WILDMAN, M.P.P.	Algoma
DOUGLAS WISEMAN, The Hon.	Lanark

John T. Clement, Q.C.	Counsel to the Committee
Peter C. Williams	Counsel to the Committee
Geddes M. Webster, B.Sc.,B.Eng.,P.Eng.	Mining Consultant to the Committee

By an Order of the Legislature dated November 10, 1977, a Select Committee was appointed "to inquire of senior officials of Inco Ltd., and its employees or their representatives, into the factors and considerations leading to the decision to announce layoffs at the Sudbury and Port Colborne Inco operations; and further to examine the future plans of the Company in relationship to the effect on the Canadian operations:

And that the Committee report back to the House at its earliest opportunity, but no later than one month from the date of the first hearing, making appropriate recommendations;"

The said Order of the House was subsequently enlarged on the 13th day of December, 1977 to include Falconbridge Nickel Ltd., and the time period was extended to "not later than two months from the date of its first hearing". The first hearing of the said Committee was held on December 20, 1977.

The Inco Ltd. lay-offs are effective February 13, 1978 and affect approximately 1,800 Inco employees.

The Falconbridge Nickel Ltd., lay-offs are effective March 31, 1978 and affect approximately 750 Falconbridge employees.

Bearing in mind the urgency of the situation, this Committee deems it necessary to forthwith make certain recommendations. A further report dealing with the Falconbridge lay-offs, factors which brought about the lay-offs at both companies, the future plans of the companies in relationship to the effect on the Canadian operations and further long-term recommendations will follow:

Changes in world markets and inaccurate forecasting as to the future sales by the nickel industry generally have resulted in substantial stockpiles of nickel products being accumulated throughout the world. These accumulated stockpiles have placed severe financial strains on all producers, especially Inco and Falconbridge. These world conditions have precipitated the decisions to reduce production everywhere. This has resulted in corresponding reductions of workforces, in order to lessen the financial burdens placed on both companies. The direct negative financial impact of such massive lay-offs affecting several communities within Ontario need no elaboration at this time. The subsequent "ripple effect" on the communities adds to the problem. The total cost in Unemployment Insurance benefits, relocation costs, welfare benefits and human suffering cannot be measured, but they are nevertheless real and must be considered.

It is estimated that the 1977 nickel sales of Inco were approximately 310,000,000 pounds and those of Falconbridge were approximately 40,000,000 pounds.

It is further noted that the nickel stockpiles of Inco and Falconbridge are 340,000,000 pounds and 73,000,000 pounds respectively, as of December 31, 1977.

The normal annual rates of attrition of the labour forces at Inco and Falconbridge are 6% and 4% respectively.

The Committee has considered a number of factors which pertain to the pending lay-offs and makes the following observations and recommendations concerning same.

The Select Committee urges a moratorium on the Inco lay-offs which are to be effective February 13, 1978, for a period not to exceed 60 days.

The purpose of such a moratorium is to enable the Government of Canada, the Province of Ontario, Inco Limited, and the United Steelworkers of America to develop and to make recommendations and methods of financing a program to lessen the immediate and subsequent impact of the pending lay-offs in the Sudbury area.

The Select Committee recommends as a method of achieving this moratorium, the following:

- (1) for the first 30 days of the moratorium excess production, (being that production, which would be a direct result of not carrying out the proposed lay-offs) to be financed by interest-free loans provided by the Government of Canada and the Province of Ontario, as agreed upon by them, and
- (2) for the remaining period of the moratorium, the development and implementation by Inco and the United Steelworkers of America of a work-sharing program.

The Select Committee further recommends as a method of reducing the immediate impact of the lay-offs the following:

- an improved early retirement and severance program by Inco.

The Select Committee further recommends:

- the early introduction of a retraining program for Inco workers to be arranged and financed by The Federal Manpower

Retraining program and the Ontario
Ministry of Colleges and Universities.

The Select Committee recognizes that the rational development and financing of any and/or all of the above recommendations is to allow attrition, early retirements, and severances to reduce the work force in an attempt to minimize the impact on the Sudbury District of a massive lay-off with its attendant repercussions.

The Select Committee recognizes that certain legislative changes would be required under the Employment Standards Act to effect a moratorium as is herein recommended.

ADDITIONAL COMMENTS ON THE REPORT

As Chairman of the Select Committee, I have perceived my role as that of a servant of the Committee. Since a majority of the members of the Committee has signed the Report without reservation, I have appended my signature to it. I must, however, take this opportunity to express my serious concern about one aspect of the Report in particular.

If one accepts the fact that the current problems of Inco arise from over-production in relation to the market, I cannot conceive of any reason why anyone would endorse steps which simply compound that problem. To suggest that Inco continue to overproduce for thirty days in order to provide the time necessary to reach future accommodations is, in my view, both contradictory and unrealistic.

Every member of the Committee has subscribed to the view that it is essential for the future health of the industry that the work force in the nickel companies be reduced. I agree that time is required in order to work out the techniques whereby this reduction can be effected without the serious repercussions of mass lay-offs. I would, however, have thought that the workers in the industry, as responsible citizens of their community, would have accepted a small share of the cost involved in acquiring the necessary sixty-day negotiating time by agreeing to a temporary work-sharing program as proposed by the representatives of the workers at Falconbridge.

The so-called "compromise recommendation of the Committee that stock-piling be undertaken for thirty days and a

work-sharing program be adopted for the final thirty days of the moratorium is contrary to the position most responsible observers have taken to the effect that stock-piling, whether government or company financed, would be counter-productive to any solution to the problem facing the Committee.

Sidney B. Handleman
Chairman
MPP - Carleton

The New Democratic Party members of the Select Committee on the Inco Layoffs have been pushing hard for sensible proposals that can achieve some lessening of the effects of the layoffs and some lessening of the layoffs in the Sudbury basin, and that can achieve a fair proportioning of the costs of such measures.

New Democrats have presented what we believe to be a rational, sensible and sound proposal to achieve the effects that we all desire. New Democrats have agreed to go along with the proposal being presented today and have made concessions in order to achieve almost unanimous agreement of this Committee to institute a moratorium so that some of the details can be worked out.

Our concessions and support are based on the Governments accepting and being willing to institute the immediate moratorium of the Inco layoffs.

(signed) Elie W. Martel

Bob Mackenzie

Floyd Laughren

Bud Wildman

I have signed the report of the Select Committee in recognition of the need for a forceful consensus on such a vital issue, and because the report represents the shared desire of all members for such an outcome to our deliberations.

At the same time, I wish to address myself to some of the difficulties with which we must come to grips.

One difficulty during the hearings was the lack of hard data in specific instances upon which to base recommendations. Despite the generalized appreciation of the fact that INCO had large inventories, the Committee was unable to ascertain precisely what specific products were being stockpiled, what marketing difficulties were genuine responses to soft world economic conditions and what infirmities, if any, took their source from product types that were simply inappropriate to current industrial consumption patterns. Certainly, the reluctance of INCO to present the information requested in confidence must be their responsibility to bear, even if the reason for such reluctance appeared appropriate to INCO.

In any event, I am opposed to establishing the potentially dangerous and simplistic precedent of government financing of excess private production, particularly when that production may be inferior from the standpoint of product marketing. My earnest hope is that the Committee recommendation for financing of the first thirty days of the moratorium will not become a precedent. At most, it should be viewed as the necessary expedient in the face of an urgent and extreme situation.

There must be clarity in government's approach. We must understand, on a cost-benefit basis, the true impact of such massive economic dislocations as this committee was created to investigate. It follows, then, that the more appropriate role which government should fashion for itself involves the establishment, funding and administration of an early retirement pension plan to which all governments, the companies and the workers and their unions would contribute.

Properly constructed, government's role would lessen rather than simply postpone the impact of lay-offs. And it cannot undertake that task without a decisive grasp of the financial implications attendant to the distorted consumption and spending patterns which currently disrupt the local economy and to the administration of existing and additional government programs to aid those workers affected by the lay-offs.

In closing, I wish to indicate my personal commitment to a free marketplace unhindered by excessive government intervention. Nonetheless, it was with very good cause that this Committee was charged with its important and legitimate responsibilities.

Alan W. Pope, M.P.P.
Cochrane South

February 8, 1978

Along with my colleagues on the Committee I would wish that the Sudbury layoffs could be avoided.

I was prepared and anxious to see our findings released today in the form of an interim report. However, I am not reluctant to admit that I could not see any specific recommendations we could make today which would avoid Monday's layoffs.

I disagree with the recommendations contained in the report and hope they do not prejudice the desire of the Committee to write a full report if time permits.

THE MORATORIUM

Such a recommendation fails to fully recognize the steps taken by the International Nickel Company during the many months of 1977 when they knowingly spent many millions of dollars to stockpile unsold nickel in the hope of a market turnaround.

FINANCING THE MORATORIUM

To recommend that 30 days production be financed out of general tax revenues establishes a dangerous precedent and one that I am not prepared to make. That a commodity, which no one today would define as either scarce, or a strategic material, be purchased with public money may be misinterpreted by producers of other Canadian resources.

ADDITIONAL COMMENTS

1. I disagree with the recommendations contained in the Report, my objections being so strong that I am not prepared to sign.
2. The essence of my objection to the compromise accepted by most of the Committee members is this:
 - a) Everyone in Canada today realizes that Canada is facing severe economic difficulties
 - b) If we were to point a finger at the root cause, it would be that our governments have failed to face up to economic realities when we should have; and that these governments have tried to cushion the effects of economic realities by measures such as we have recommended in this Report.
3. Recommendation #1 in essence would require Inco to continue its present production level, in fact, stockpile for a period of 30 more days.
4. Every bit of evidence indicates that the Inco stockpile at 340 million pounds or roughly 14 months inventory, is far above healthy levels (Inco feels 100 million pounds to be appropriate) and that inventory reductions make good business sense.
5. Only a reduction in the work force will accomplish a reduction in inventory of nickle.
6. To put off the layoffs (now set at 1,243 employees) on February 13th, 1978, merely extends the day when the inevitable will occur.
7. The cost of the extension would be borne by government loans interest free.
8. When government attempts to cushion the effect of economic realities (in this case these layoffs are inevitable), within the private sector, then not only does it cater to special interests but the final steps could be national bankruptcy (England comes to mind).
9. These layoffs are extremely unfortunate; however, government just cannot step in every time there is a business downturn, to forestall the event.
10. The 1,243 employees who will be laid off by Inco, February 13th, have been assured of receiving unemployment insurance benefits of up to \$150 per week for up to 51 weeks and, quite frankly, that is why U.I.C. was set up in the first place - to help people during their period of temporary displacement in the workforce. It must be kept in mind that the composite profile of the employee to be laid off is age 22½, employed 20 months and 70% are single.
11. Inco itself complied with every government notice of layoff providing 4 months advance notice pursuant to the law of Ontario. During this period to time the layoff number of about 1,850 men was reduced to 1,243 through attrition and other job offers as of January 26th. Carrying these people for 4 months was entirely at Inco's expense.
12. It is my opinion Inco has contributed adequately to forestall the date for layoff, conforming with the law of Ontario even though layoff should have occurred long before the employees got notice, from a good business sense point of view.

Gord Walker, M.P.P.
London South
Vice Chairman
February 8, 1978

